

ASX Announcement

31 January 2008

Report to Shareholders for the quarter ended 31st December 2007

- **Outstanding onshore testing results achieved with CETO 2 prototypes**
- **Continued progress on Cleaner Coal Power project**
- **Corporate efforts directed at capitalizing upon Clean Technology sector growth**

ACTIVITIES SUMMARY

During the Quarter, Carnegie Corporation (ASX:CNM) has continued to focus its efforts on continued development of its existing projects and expanding its exposure to the rapidly growing clean technology sector.

1. CETO Wave Energy Technology

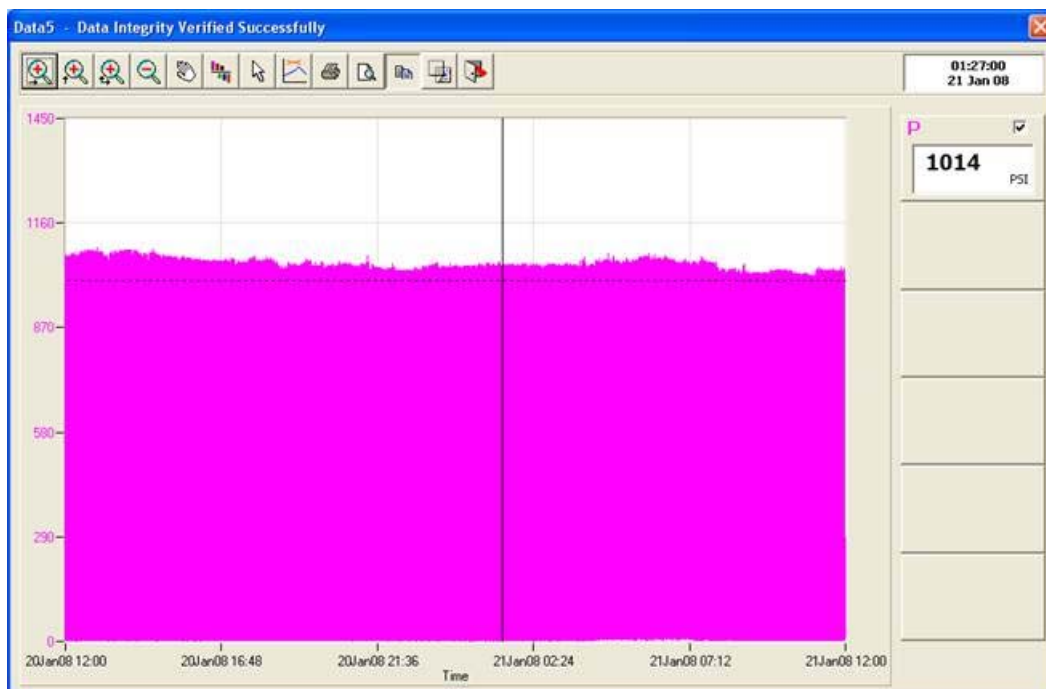
Carnegie is pleased to announce that the test results from its onshore purpose built CETO test rig are in-line with expectations, with the commercial-design CETO 2 prototypes delivering sustained water pressure at 6800kPa (approximately 1000psi) as predicted by previous design modelling.

The CETO onshore test rig mimics the stroke movement that the CETO pump unit will undergo when deployed in the ocean. It accommodates two pumps and is able to be used for proof-of-concept pump testing, pre-deployment performance testing and component life and reliability testing. The latter encompasses the ability to carry out accelerated life component testing in parallel with in-sea trials. An image of the onshore test rig is shown below.

In-sea trials of the CETO II technology continue and the Company is still on track to have a small array of CETO II units will be operating off Fremantle by the end of 2008. These final aspects of development will allow CETO to be commercial-ready in 2009 as previously advised.



An example of the output of the testing of the CETO 2 pumps on the onshore test rig is include below showing sustained achievement of pressures in excess of 6800kPa (approximately 1000psi) the pressure required for reverse osmosis desalination.



Discussions with stakeholders of potential commercial CETO projects also continue in parallel with the achievement of technical milestone progress. Potential sites are being assessed throughout the southern states of Australia and internationally.

2. Development of Cleaner Coal Power Technology

Physical testing at Carnegie's CCP prototype test centre continues according to program in conjunction with virtual Computational Fluid Dynamic modelling. The results of the current tests showed significant improvements in the stability of the CCP steam generation unit. Work on the manufacture and installation of the CCP steam generation PLC control system is now well advanced and is scheduled for commissioning in the first quarter of 2008.

Additionally, to advance the next phase of prototype development, resourcing activities for the recruitment of further specialists skilled in combustion and turbine development are progressing. The CCP development program is on schedule and will see a decision on the preferred steam generation and turbine designs in 2008 and continued progress on the longer term goal of having a full-scale demonstration prototype operating within 3 years.

3. Carnegie Minerals PLC Activities

Carnegie spun off its mineral sands assets into the AIM-listed Carnegie Minerals Plc in August 2006 in order to concentrate on its clean energy activities. It currently retains a 45% interest in Carnegie Minerals which has projects in The Gambia and Senegal.

In January 2008, the joint venture company received an instruction from the Government of The Gambia directing it to stop all operations and to provide certain information in relation to production, grades and prices. The Company has not received any notice from The Gambian Government that the licence has been cancelled. The Company believes it has supplied all the required information and, as at the date of this announcement, is awaiting the Gambian Government's response.

Progress in Senegal continues with the processing of the remaining drill samples obtained during the 2007 drilling programme in Southern Senegal continues ahead of air-core drilling in the northern and southern parts of the licence area as well as to drill test in the eastern part of the licence area. The Joint Venture also signed a contract for the statutory environmental impact assessment (EIA) of the Niarang mining project and is now awaiting the approval of the Terms of Reference for this study by the Senegalese environmental authorities to start the environmental impact assessment.

4. Corporate Activities

Carnegie has continued to development its competency and skill base based via the further recruitment of both technical and commercial staff. Recent additions include its Chief Financial Officer, a Power Development Manager and a CETO site manager.

Furthermore, the Company is currently conducting due diligence on several clean technology projects and should be in a position to report on the outcome of this work in the first half of 2008. There is increasing interest in the clean technology sector from industry, government and investors alike and Carnegie, with the benefit of incumbency in the sector, is well placed to capitalise upon further sector growth.

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For more information:

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

CARNEGIE CORPORATION LTD

ABN

69 009 237 736

Quarter ended ("current quarter")

31 December 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(317)	(466)
(b) advertising and marketing	(3)	(5)
(c) research and development	(2,019)	(2,311)
(d) leased assets	-	-
(e) other working capital	(590)	(916)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	86	92
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(2,843)	(3,606)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,843)	(3,606)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(154)	(210)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	350
1.13 Other (provide details if material)	-	-
	(154)	140
Net investing cash flows		
1.14 Total operating and investing cash flows	(2,997)	(3,466)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	14,347	14,347
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
	14,347	14,347
Net financing cash flows		
	11,350	10,881
Net increase (decrease) in cash held		
1.21 Cash at beginning of quarter/year to date	245	714
1.22 Exchange rate adjustments to item 1.20		
	11,595	11,595
1.23 Cash at end of quarter		

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	307
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments to Directors are consulting fees and directors fees and salary for the quarter.
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	626	197
4.2 Deposits at call	10,969	48
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	11,595	245

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Print name: GRANT J. MOONEY Company Secretary

Date: 25 January 2008

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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